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World Production and Trade

ORIGINAL

United States Department of Agriculture
Foreign Agricultural Service
Washington, D.C. 20250

Weekly Roundup
WR 38-86
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The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

GRAIN AND FEED

EUROPEAN COMMUNITY Continues to Increase Grain Export Subsidies. The European Community (EC) continues to raise its wheat and barley export subsidies, which have reached $112 and $124 per ton, respectively. These increases have doubled the Community's costs for subsidizing grain exports this year compared to last year. Three factors have contributed to the increased subsidy costs: the weaker dollar, falling world prices and stronger EC internal prices which have widened the gap between EC and world prices. To limit costs, the Community probably will export less wheat and barley in 1986/87 to countries outside the EC; 1986/87 wheat exports are forecast at 15 million tons, down 1.5 million tons from 1984/85 and down 500,000 tons from last year. Barley exports in 1986/87 also are forecast lower, down more than 1 million tons from 1985/86. Another factor contributing to the sharp decline forecast in EC grain exports is the drought in Spain which has resulted in a 5-million-ton drop from last year's record grain crop. As a result of the drought, no Spanish barley will be available for export; in 1985/86 nearly 1 million tons were available. In addition, Spain's increased need for grain will likely provide an additional market for excess EC supplies.

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TUNISIA Buys EC Wheat. Tunisia has reportedly used French credit to purchase 200,000 tons of French wheat at about $82 per ton, cost and freight, for delivery from October through April. At current French prices, the sale requires a subsidy of about $120 per ton, nearly 10 percent more than recent EC subsidies. If the Community supports this sale, it may indicate a willingness to match lower U.S. prices in Mediterranean markets. In the early 1980's, Tunisia imported between 600,000 and 1 million tons of wheat annually, primarily from the United States and the EC. In 1983/84, when Tunisian wheat imports reached a record 1 million tons, U.S. market share peaked at more than 85 percent. Since then, the U.S. share has steadily decreased, and by 1985/86 was less than 16 percent. Tunisia has been targeted for an Export Enhancement Program for 1.1 million tons of wheat; 325,000 tons had been sold as of early September.

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OILSEEDS AND PRODUCTS

Oilseed Producers Propose Reform of EUROPEAN COMMUNITY Oilseed Regime. The French oilseed producers association (AGPO) renewed their proposals for reform of the EC oilseed regime. They proposed taxing all domestic and imported vegetable and marine oils whenever their internal prices drop below a fixed minimum. They believe this system would be less costly than the current system of paying subsidies, under which EC expenditures in the oilseed sector rose to 1.95 billion European Community Units (ECU) in 1985. AGPO has not presented details of the system such as the minimum price levels proposed or the methods of assessing the tax.

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TURKEY Stops Oilseeds and Products Imports. The Turkish Government has decided to stop imports of oilseeds and products, according to the U.S. agricultural attache in Ankara. This action may be due to an abundant sunflowerseed crop this year, and the potential political implications of imports in an election year. The stoppage is expected to be temporary and imports may be considered in early 1987. In calendar year 1985 Turkey imported 82,000 tons of soybeans and 100,000 tons of soybean oil. In 1986, imports are estimated at 30,000 tons of soybeans, 10,000 tons of meal and 125,000 tons of oil. Currently the United States supplies none of these imports.

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SPAIN'S Tax on Oil in Imported Soybeans Cancelled. The EC regulation taxing the oil component of soybeans imported into Spain was cancelled as of July 31, although it has not yet been published in the official EC journal, according to the U.S. agricultural counselor in Madrid.

DAIRY, LIVESTOCK AND POULTRY

IRELAND'S Winter Fodder May Run Short and Help Devalue the Green Pound. Ireland is suffering from severe storms for the second time in three weeks. Added to the two years of already very unfavorable weather, this means that livestock can not graze and must be fed with the already minimal winter fodder stocks. Feed shortages in 1986/87 may again precipitate significant slaughter of beef cattle this autumn. The Irish government has announced measures to assist farmers, which include 100 million Irish pounds at low interest rates. These weather problems support the Irish request for an 8.8-percent devaluation of their green pound within the European Community. If this devaluation is granted, it may be more important to Irish farmers than any other aid measures announced thus far since exports to the United States such as casein and meat products would gain an advantage over other EC suppliers.

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PERU'S Poultry Meat Production Increases. Poultry meat production in Peru is expected to reach 210,000 tons in 1986, a 16-percent increase, according to the U.S. agricultural attache in Lima. The rapid climb in 1986 follows the growth that began in 1985 and which is largely the result of government policy. In mid-1985, Peru put poultry under a price control program. When combined with wage increases for the general economy, this resulted in rapid demand increases for poultry meat. Initial incentives given to producers were quite small; however, the rapid growth in demand essentially forced two increases in the controlled price of poultry meat that has been sufficient to allow rapid production expansion. The rapid increase in demand and the inability of local production to meet that demand has resulted in Peru's cancellation of the final shipment of its export contract with the USSR and Peru has now become an importer. Further imports are expected in 1987.

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PAKISTAN'S Poultry Industry Grows Rapidly. The poultry industry of Pakistan is expected to continue its rapid growth, according to the U.S. agricultural attache in Islamabad. Poultry meat production is forecast to total 114,000 tons, 15 percent above 1985. Egg production in 1986 is forecast at 4.6 billion eggs, up 13 percent. Growing demand for poultry meat and eggs along with government incentives--including tax exemptions and extended credit for poultry production facilities, duty free imports of some major feed ingredients, and a price policy that supports the poultry industry--have acted to stimulate production. On the negative side, quality problems with feeds, particularly feeds based on domestic ingredients, are the major constraints preventing production from expanding even faster.

COTTON AND FIBERS

ISRAEL'S Cotton Exports Exceed Forecasts. The U.S. agricultural attache in Tel Aviv reports 1985/86 Israeli exports exceeded earlier forecasts. Preliminary reports indicate exports reached a record 409,000 bales, 16 percent above 1984/85. Export prospects for 1986/87 have been revised to 315,000 bales.

TOBACCO

GERMAN Cigarette Manufacturer May Build Plant in HONG KONG. A major German-based cigarette manufacturer reportedly is planning construction of a new cigarette manufacturing plant in Hong Kong. An investment of US$10 million is contemplated for the plant, which will total 50,000 square feet and will employ about 60 people. The cigarettes, made from tobacco imported from China and Europe, will be exported to China or used in Hong Kong. Companies wishing to export cigarettes to China must buy Chinese leaf. Current estimates place Chinese cigarette consumption at 1,200 billion pieces, with less than 2 percent imported. In 1985, U.S. leaf exports to Hong Kong totaled 4,828 tons. The Chinese policy should not cause a major displacement of U.S. leaf for Chinese leaf in the Hong Kong market.

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CREDIT NOTES

GSM-102 Actions Announced for ECUADOR, GUATEMALA, EL SALVADOR, IRAQ and KOREA. Ecuador received $60 million in GSM-102 credits for fiscal year 1987. At the request of the Guatemalan government, the Commodity Credit Corporation (CCC) has reallocated $2.5 million in credit guarantees to provide more guarantees for sales of U.S. protein meals. CCC authorized $2.0 million in fiscal year 1986 credit guarantees so El Salvador can purchase more U.S. protein meals. CCC amended the $20-million guarantee line to Iraq to include sales of U.S. wool. CCC authorized $500 million in credit guarantees to U.S. exporters for exports of U.S. agricultural products to Korea for fiscal year 1987.

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GSM-103 Actions Announced for TUNISIA and TURKEY. CCC authorized $3.0 million in fiscal year 1986 intermediate credit guarantees for sales of U.S. breeding livestock to Tunisia. CCC authorized $30 million in guarantees for sales of U.S. breeding livestock to Turkey.

EXPORT ENHANCEMENT INITIATIVES

The status of USDA's Export Enhancement Program as of Sept. 19, 1986, was as follows in metric tons:

ANNOUNCED INITIATIVES	DATE ANNOUNCED	QUANTITY/RESULTS	
45. Venezuela Barley Malt	Sept. 4, '86	100,000	
44. Cyprus Barley	Aug. 26, '86	150,000	Sold 25,000
43. Canary Islands Wheat	Aug. 8, '86	100,000	
42. Eygpt Semolina	Aug. 6, '86	30,000	
41. USSR Wheat	Aug. 1, '86	4 million	
40. Canary Is. Dairy Cattle	July 28, '86	3,000 head	
39. Hong Kong Table Eggs	July 28, '86	44 million	
38. Senegal Wheat	July 17, '86	100,000	
37. India Vegetable Oil	July 8, '86	25,000	
36. Jordan Barley	June 17, '86	60,000	
35. Israel Barley	June 17, '86	200,000	Sold 36,200
34. Tunisia Dairy Cattle	May 29, '86	4,000 head	
33. Algeria Dairy Cattle	May 29, '86	5,000 head	
32. Sri Lanka Wheat	May 16, '86	125,000	Sold 75,000
31. Saudia Arabia Barley	May 7, '86	500,000	COMPLETE
	Aug. 6, '86	250,000	COMPLETE
	Sept. 16, '86	300,000	
30. Algeria Barley	Apr 17, '86	500,000	

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29.	Morocco Dairy Cattle	Apr 16, '86	4,000 head	Sold 150
28.	Turkey Dairy Cattle	Apr 16, '86	5,000 head	
27.	Egypt Dairy Cattle	Apr 16, '86	6,000 head	COMPLETE
		Sept 12, '86	10,000 head	
26.	Yemen Poultry Feed	Apr 14, '86	150,000	
25.	Yugoslavia Wheat	Apr 10, '86	200,000	COMPLETE
		June 24, '86	200,000	Sold 131,900
24.	Indonesia Dairy Cattle	Apr 9, '86	7,500 head	
23.	Syria Wheat	Apr 8, '86	700,000	
22.	Benin Wheat	Apr 7, '86	45,000	Sold 20,000
21.	Algeria Table Eggs	Apr 4, '86	500 million	
20.	Iraq Dairy Cattle	Apr 4, '86	6,500 head	
19.	Jordan Wheat	Mar 19, '86	75,000	COMPLETE
		June 24, '86	75,000	COMPLETE
18.	Tunisia Wheat	Mar 18, '86	300,000	COMPLETE
		Aug. 22, '86	800,000	Sold 25,000
17.	Algeria Wheat Flour	Feb 25, '86	100,000	
16.	Algeria Semolina	Feb 11, '86	250,000	
15.	Philippines Wheat	Jan 7, '86	150,000	COMPLETE (152,400)
14.	Zaire Wheat	Dec 27, '85	40,000	COMPLETE
		May 15, '86	40,000	COMPLETE
13.	Nigeria Barley Malt	Dec 10, '85	100,000	Sold 4,400
12.	Iraq Wheat Flour	Dec 9, '85	150,000	Sold 100,000
11.	Egypt Poultry	Nov 26, '85	8,000	COMPLETE
		Mar 21, '86	15,000	COMPLETE
		June 18, '86	5,000	COMPLETE
		July 8, '86	15,000	COMPLETE
10.	Zaire Wheat Flour	Nov 18, '85	64,000	COMPLETE
		May 15, '86	30,000	
9.	Philippines Wheat Flour	Nov 15, '85	100,000	Sold 50,000
8.	Jordan Rice	Nov 8, '85	40,000	Sold 22,700
7.	Turkey Wheat	Oct 16, '85	500,000	COMPLETE (506,600)
		May 8, '86	500,000	
6.	Morocco Wheat	Sept 30, '85	1,500,000	Sold 890,000
5.	Yemen Wheat	Sept 6, '85	100,000	Sold 50,000
4.	Yemen Wheat Flour	Aug 20, '85	50,000	COMPLETE
		Apr 14, '86	100,000	Sold 13,000 LT
3.	Egypt Wheat	Jul 26, '85	500,000	COMPLETE
		Oct 30, '85	500,000	COMPLETE (512,500)
		June 20, '86	500,000	COMPLETE
		July 29, '86	52,000	Sold 29,000
2.	Egypt Wheat Flour	July 2, '85	600,000	COMPLETE
		Aug. 6, '86	600,000	
1.	Algeria Wheat	Jun 4, '85	1,000,000	COMPLETE
		Apr 10, '86	1,000,000	

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EXPORT ENHANCEMENT PROGRAM SUMMARY

Announced to Date	18,363,780 (grain equivalent) 544 million table eggs 43,000 tons frozen poultry 51,000 head dairy cattle 25,000 tons vegetable oil
Sold to Date	5,123,400 wheat 1,222,683 flour (grain equivalent) 811,200 barley 43,000 frozen poultry 22,700 rice 5,980 barley malt (grain equivalent) 6,150 head dairy cattle
Estimated Bonus Book Value	$394.9 million

TARGETED EXPORT PROMOTION PROGRAM

The status of USDA's Targeted Export Promotion Program as of Sept. 23, 1986, was as follows:

DATE ANNOUNCED	COMMODITY	VALUE	COUNTRY
Sept. 19, 1986	Processed foods	$0.3 million	West Germany
Sept. 17, 1986	Processed foods	$1.4 million	Pacific Rim
Sept. 16, 1986	Processed foods	$0.5 million	Pacific Rim, Western Europe, Middle East, Caribbean
Sept. 16, 1986	Wine	$2.5 million	Pacific Rim, Western Europe
Sept. 12, 1986	Rice	$3.5 million	European Community, Middle East, Africa Southeast Asia, Caribbean
Sept. 8, 1986	Fresh pears	$0.3	Scandinavia, Arabian Gulf, Pacific Rim
Sept. 2, 1986	Wheat	$2 million over 3 years	Egypt, Algeria
Aug. 12, 1986	Canned Peaches, Fruit Cocktail	$5.1 million	Pacific Rim & Middle East
Aug. 8, 1986	Feed Grains	$2.1 million	To be announced
July 28, 1986	Dry Peas & Lentils	$2.5 million	EC, Colombia, India
July 25, 1986	Table Grapes	$0.35 million	Japan

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TEA programs, cont.

July 18, 1986	Washington State Apples	$1.4 million	United Kingdom, Taiwan, Malaysia, Hong Kong, Norway, Middle East
July 17, 1986	Wood Products	$0.65 million 1/	United Kingdom
July 16, 1986	Wheat	$1.1 million	Developing countries
July 14, 1986	Poultry & Eggs	$6 million	Pacific Rim, Middle East countries
June 24, 1986	Feed Grains, Soybean Meal & Dairy Cattle	$9 million over 3 years	Algeria
June 23, 1986	Fresh & Processed Florida Citrus	$4.6 million	Western Europe & Pacific Rim
May 20, 1986	Dried Prunes	$4 million	Western Europe
April 30, 1986	Wood	$1.95 million (over 3 years)	Japan
April 28, 1986	Wine	$2.3 million	Japan, United Kingdom, Hong Kong, Singapore
April 25, 1986	Almonds	$0.9 million	Western Europe, Japan, Korea
April 17, 1986	Canned Peaches, Fruit Cocktail	$2.5 million	Japan, Taiwan
April 16, 1986	Walnuts	$9 million 2/	Western Europe, Japan, Australia
April 16, 1986	Raisins	$6.3 million	Western Europe, Pacific Rim, Middle East
April 14, 1986	California & Arizona fresh & processed citrus	$8.5 million	Western Europe, Pacific Rim
March 27, 1986	Frozen Potatoes	$2 million	Japan, Hong Kong Taiwan, Malaysia Singapore
	Total:	$80.75 million	

1/ Part of April 30, 1986, wood TEA amount. Not included in total.
2/ Includes additional $2 million announced Aug. 1, 1986.

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Selected International Prices

Item	September 23, 1986	Change from a week ago	A year ago
ROTTERDAM PRICES 1/	$ per MT	$ per bu.	$ per MT	$ per MT
Wheat:				
Canadian No. 1 CWRS-13.5%.	N.Q.	—	—	N.Q.
U.S. No. 2 DNS/NS: 14%....	124.50	3.39	-2.00	160.00
U.S. No. 2 S.R.W.	N.Q.	—	—	130.00
U.S. No. 3 H.A.D.....	136.00	3.70	+1.00	159.00
Canadian No. 1 A: Durum...	N.Q.	—	—	N.Q.
Feed grains:				
U.S. No. 3 Yellow Corn....	N.Q.	—	—	111.00
Soybeans and meal:				
U.S. No. 2 Yellow.....	198.30	5.40	N.Q.	210.50
Brazil 47/48% Soya Pellets	208.00	—	+2.00	178.00
U.S. 44% Soybean Meal.....	195.00	—	+10.00	168.00
U.S. FARM PRICES 3/				
Wheat.....	80.83	2.20	-0.37	108.02
Barley.....	54.66	1.19	+5.05	60.07
Corn.....	56.30	1.43	+0.39	89.76
Sorghum.....	58.64	2.661	-1.10	73.63
Broilers.....	1,250.23	—	-160.05	1,040.57
EC IMPORT LEVIES				
Wheat 5/.....	175.71	4.78	+5.01	96.53
Barley.....	176.15	3.84	+1.20	94.97
Corn.....	185.08	4.70	+2.88	86.42
Sorghum.....	184.52	4.69	+0.82	103.10
Broilers 4/ 6/ 8/.....	N.Q.	—	—	N.Q.
EC INTERVENTION PRICES 7/ 9/				
Common wheat(feed quality)	181.88	4.95	-0.72	151.70
Bread wheat (min. quality)	191.05	5.20	-0.75	162.03
Maize.....	191.05	4.85	-0.75	151.70
Barley and all other feed grains, excluding maize.	181.88	3.96	-0.72	151.70
Broilers 4/ 6/.....	N.Q.	—	—	N.Q.
EC EXPORT RESTITUTIONS (subsidies)				
Wheat	119.77	3.26	+7.12	N.A.
Barley.....	133.31	2.90	+6.46	52.00
Broilers 4/ 6/ 8/.....	N.Q.	—	—	N.Q.

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 kg effective 9/14/83 from 22.50 ECU/100 kg set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Changes may be due partly to exchange rate fluctuations and/or ECU payments. N.A.=None authorized. N.Q.=Not quoted. Note: Basis October delivery.

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